

PM USA Field Sales Force

# An Introduction

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# Purpose

PM USA Field Sales Force

**The Sales Mission is designed to execute at retail in order to meet PM USA Objectives in...**

Sustaining Marlboro's Growth by building on its demographic strength.

Creating growth platform for Premium Brands.

Maintaining our share of the Discount Category while building brand equity.

Motivating the trade to execute our programs.

Continuing to improve our cost structure, speed and flexibility across the organization.

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# Core Strategies

PIM USA Field Sales Force

Enhance Our People Advantage  
Optimize The Distribution System  
Simplify Retail Execution

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# Working Strategies

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## Enhancing A People Advantage

Recruiting  
Training and Development  
Cross-Functional Development  
Diversity of Ideas and Experiences

## Process Discipline

Ensure Quality  
Communicate Benefits  
Achieve Ownership  
Secure Accountability  
Evaluate/Continuously Improve

## Resource Allocation

Process/Methodology  
Merchandising Programs  
Promotions  
Fixtures and POS

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# Sales Working Strategies

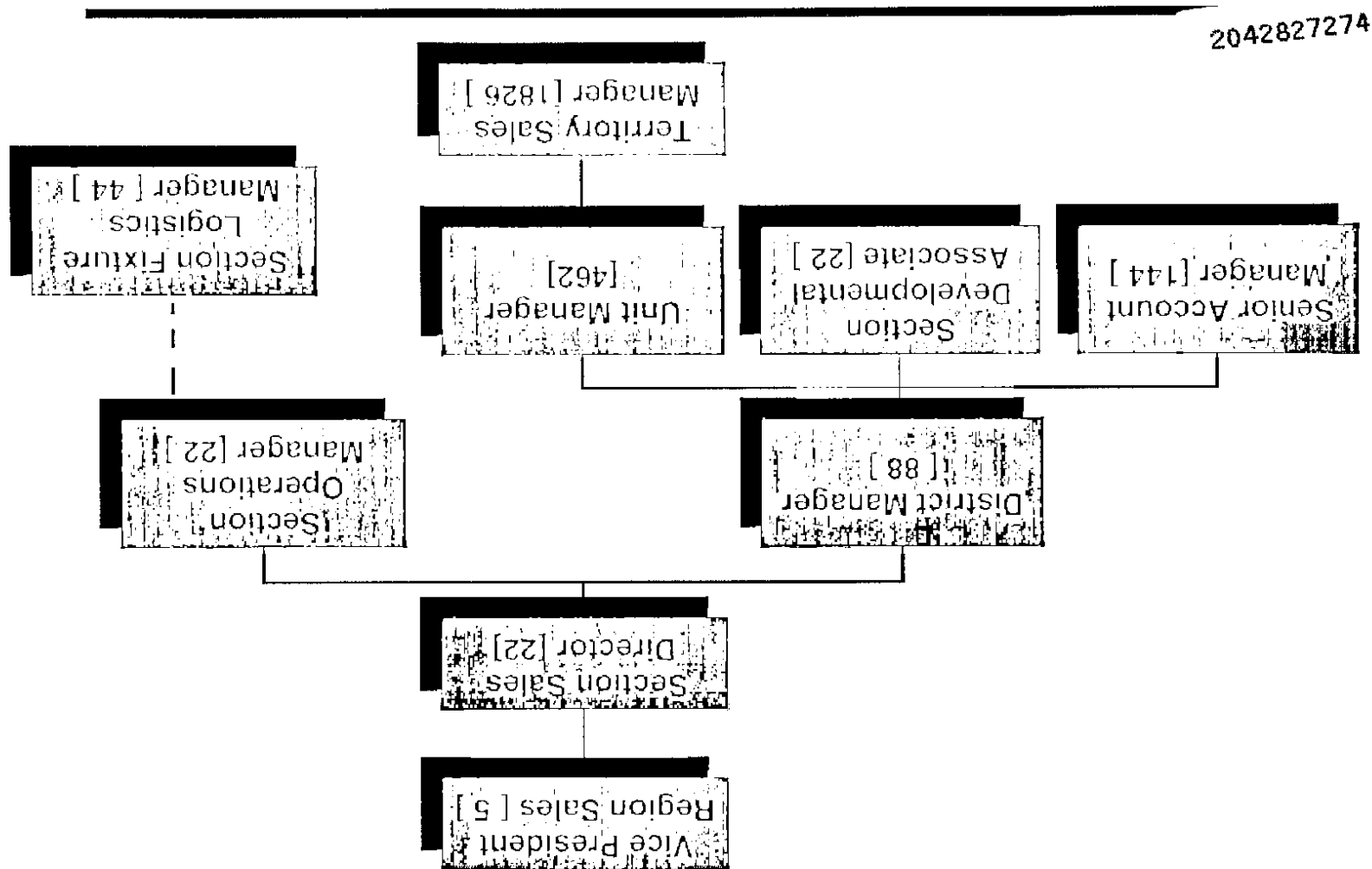
PIM USA Field Sales Force

- We Will....
  - Better define, develop and apply leadership, diversity and work community principles.
  - Incorporate the 6-Step selling process.
  - Develop better performance measures to encourage the desired actions/behaviors.
  - Improve the resource allocation process.
  - Gain RM/WM quality & consistency.
  - Improve top level relations built upon trust to provide forum for business decisions.
- Operating Principle
  - TAKE TIME TO DO THINGS RIGHT!

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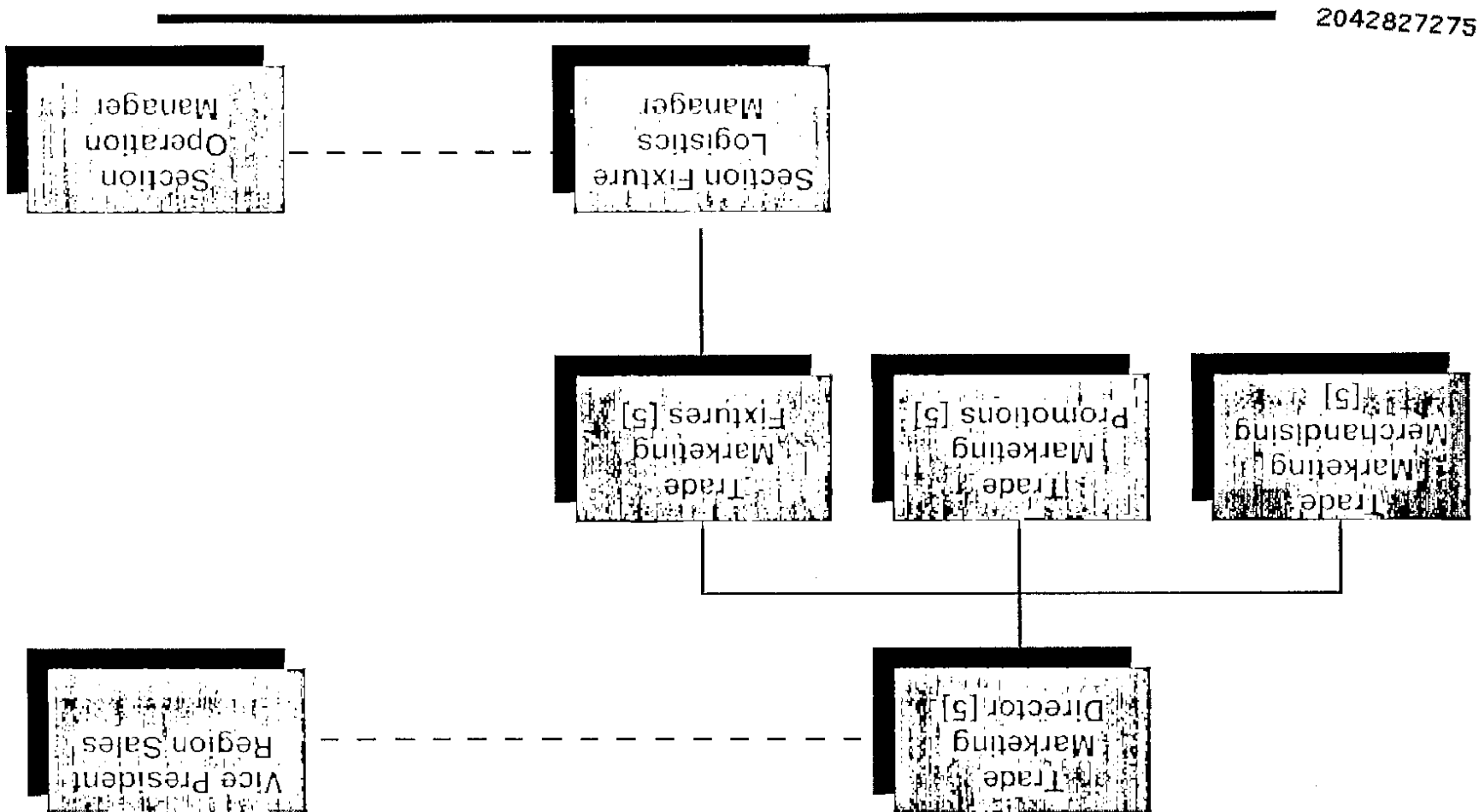
# Organization Chart

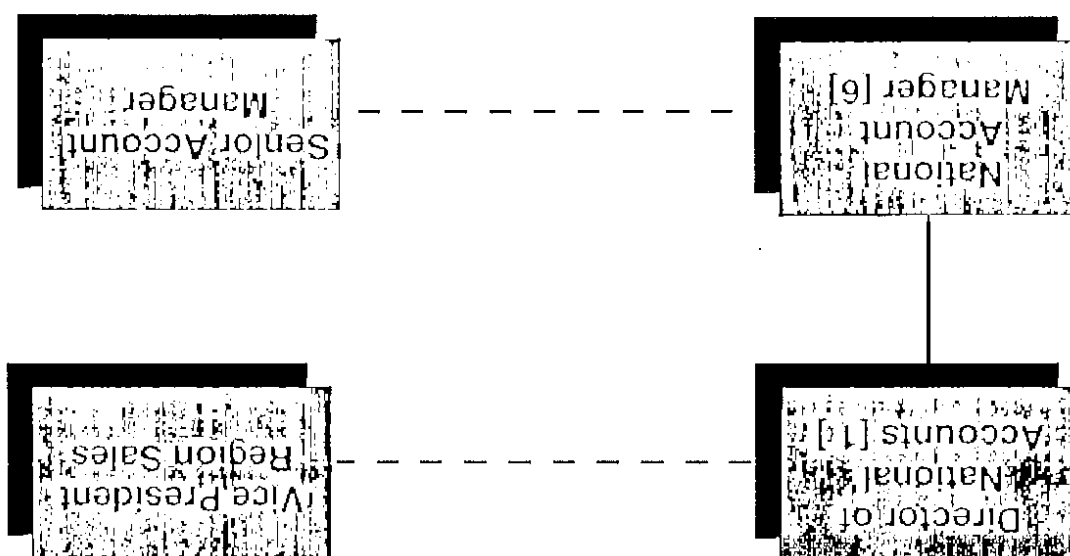
P.M. USA Field Sales Force



# Region Trade Marketing

P/M USA Field Sales Force





**National Accounts**  
P/M USA Field Sales Office



# Roles and Functions

## PM USA Field Sales Force

### Vice President of Region Sales

Accountable for business growth and development of the organization within an assigned Region consisting of 3 or more Sections.

The Region Vice President Manages a budget of approximately \$144 million dollars. This Budget is made up of Retail Program dollars, Merchandising, Operations and Human Resources.

40-50 billion units move through a Region yearly. Approximately 39,000 retail outlets are managed by PM sales personnel.

On average a RVP leads an organization of 515 PM USA sales people.

The Region Vice President maintains contact with NYO, Richmond, and personnel in the Sales Force at all levels of the organization.

The VP's sets strategies and objectives for the Region in order to meet national sales objectives.

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# Roles and Functions

PM USA Field Sales Force

## Section Sales Director

Reports to Vice President, Region Sales

Accountable for the business growth and development of the organization within an assigned geography consisting of 3-7 Districts and 9,000 retail outlets managed by the sales organization.

Annual Sales volume 9 Billion average units and an annual Budget of \$33 Million.

SSD's are accountable for business growth, and implementing sales and merchandising programs customized for specific Markets and for providing overall direction to the Section.

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# Roles and Functions

## PM USA Field Sales Force

### District Manager

Reports to Section Sales Director

Accountable for the management of a Sales organization of managers and TSM's to develop, implement and maximize sales programs in the District.

Annual Sales Volume 2-3 Billion units from approximately 2,250 retail outlets and an annual average budget of \$8 Million.

The DM must analyze brand, market, and account data, as well as Company programs to determine the business needs of the District and how PM can best serve those needs.

The DM will interact with Trade Marketing to develop brand specific programs to foster PM business.

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# Roles and Functions

## PM USA Field Sales Force

### Senior Account Managers

Reports to the District Manager

Accountable for building PM's business in high volume chain accounts by presenting merchandising programs, sales promotions, and new brand introductions.

Responsible for approximately 1 billion units in 500-600 Retail Outlets [4-6 Chn Hdqtrs]

A SAM is responsible for ROI for the program, merchandising and promotional dollars being spent in their chain Retail outlets.

A SAM is accountable for the communication and direction to the field to ensure quality execution and implementation of programs, promotion, and space management at Retail.

A SAM's primary goal is to gain First Tier supplier status in the Key Accounts using Category Management principles

# Roles and Functions

## PW USA Field Sales Force

**National Accounts** - Operate in all markets and manage 11% of the total workload

### C-Stores

Dairy Mart  
Circle K  
Southland

### G-Stores

Amoco  
Chevron  
Conoco  
Exxon  
Mobil  
Total Petroleum  
Shell  
Exxon

### Mass

K-Mart  
Target  
Walmart

### Drug

Eckerd's  
Walgreens  
Sav-on/Osco

### Distrubutor

McLane's

### Other

Bud's  
Phillips  
Sam's

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# Trade Marketing National Accounts - Game Plan

PM USA Field Sales Force

## Core Strategies

Share best business practices and successes with Field Sales.

Expand our interaction with other cross functional groups within the organization.

## Tactics

Work with DM's/SAM's and key section personnel to identify issues/opportunities.

Expand National Accounts file server to include presentations and data.

Proactively assist in the planning of brand promotions, trade programs, and merchandising initiative.

Actively manage the fixture and merchandising budgets and implications to region budgets.

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# Trade Marketing National Accounts - Game Plan

PM USA Field Sales Force

## Core Strategies

Employ category management principles to build sales and profits.

Provide high quality, concise and timely communications of National Account initiatives to all levels of the organization.

## Tactics

Reinforce Retail Masters principles:

- Inventory Management
- Pricing Analysis
- Promotional Activity
- Premium/Discount mix
- Maximize Flex Fund usage

Distribute Operations Manuals

Develop and distribute TSM chain account file folders for all account corres.

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# Roles and Functions

## PM USA Field Sales Force

### Unit Manager

Reports to the District Manager

Accountable for achievement of the highest visibility and distribution of PM brands by the Territory Sales Managers. The UM maximizes the effectiveness of merchandising programs such as Retail Masters.

Responsible for approximately 440 million units in 480 retail outlets managed by the TSM [approx 4 per UM].

Responsible a budget of \$1.8 million dollars for Promotions, incentive programs, POS materials and operation needs.

A UM manages the performance and development of the TSM to accomplish Company goals and initiatives.

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# Roles and Functions

## PM USA Field Sales Force

### Territory Sales Manager

Reports to the Unit Manager.

Accountable for selling PM brands and managing all related activities and initiatives across all trade classes within a specific geography by implementing sales programs and promotions in assigned retail accounts.

Responsible for 100-120 accounts in all retail trade classes and a sales development budget of \$410,000 for promotions, incentive programs and POS.

The TSM in store Mission is based in Category management and focuses on planning and assisting the store in strategy implementation of the 5 P's.  
[Product, Price, Place, Promotion and Presence]

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# Sales Force

## PM USA Field Sales Force

### Strategy

Continue to capitalize on Professional Selling vs. Merchandising Organization

Don't change sales force strategy ... unless marketing strategy changes

### In-store Mission

Focus on Category Management

5 P's

ROI

### Coverage and Frequency

Increase calls per day (target 12-13)

Simplify mission

Extension selling

Focus on "sell days"

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# Sales- Tools

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## Retail Masters

### Build PM business

Permanent platform at Retail which enables execution of brand initiatives

### Pay for performance

Volume-based payments

### Emphasize Category Management Best Practices

Focus on profitable volume

Share development

Break-through the clutter

Prime positioning/visibility

# Retail Masters - Pack Comparison on Merchandising Plans

PM USA Field Sales Force

Example: P1 - 120 CPW

	\$'s per month	Avg CPW	Avg S.O.M.		\$'s per month	Avg CPW	Avg S.O.M.
PM	\$171	60	50	RJR	\$70	34	28
PM Flex	\$48			*B&W	\$85	20	16
RJR	\$0	30	25	LOR	\$15	8	7
B&W	\$0	18	15	P.M.	-0-	50	42
<b><u>TOTAL</u></b>	<b><u>\$219</u></b>			<b><u>TOTAL</u></b>	<b><u>\$170</u></b>		
*P1, RF3, Exclusive				(*includes ATC)			
<b>With Retail Masters</b>				<b>Without Retail Masters</b>			
<ul style="list-style-type: none"> <li>• Space to sales signage and display</li> <li>• Higher premium sales on average</li> <li>• More PM promotions/Flex</li> <li>• Lower price gap</li> </ul>				<ul style="list-style-type: none"> <li>• More buy downs</li> <li>• More clutter</li> <li>• More competitive promotions</li> <li>• Greater price gap</li> <li>• No Flex</li> <li>• Greater discount mix</li> </ul>			

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# Retail Masters - Carton Comparison on Merchandising Plans

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Example: C1 - 641 CPW

	\$'s per month	Avg CPW	Avg S.O.M.		\$'s per month	Avg CPW	Avg S.O.M.
PM	\$1027	301	47	RJR	\$355	199	31
PM Flex	\$294			*B&W	\$195	109	17
RJR	\$300	167	26	LOR	\$89	38	6
B&W	\$135	109	17	P.M.	-0-	256	40
<b><u>TOTAL</u></b>	<b><u>\$1,756</u></b>			<b><u>TOTAL</u></b>	<b><u>\$639</u></b>		
*C1, RF8, Exclusive				(*includes ATC)			
<b>With Retail Masters</b>				<b>Without Retail Masters</b>			
<ul style="list-style-type: none"> <li>• Space to sales signage and display</li> <li>• Higher premium sales on average</li> <li>• More PM promotions/Flex</li> <li>• Lower price gap</li> </ul>				<ul style="list-style-type: none"> <li>• More buy downs/private label</li> <li>• More competitive promotions</li> <li>• Greater price gap</li> <li>• No Flex</li> <li>• Greater discount mix</li> </ul>			

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# Summary

## PM USA Field Sales Force

### THE COMPETITION

Continues to: "buy more for less"

- Buy market share
- Drive category discount
- Buy down
- Pay for real estate/POS
- Creating clutter, consumer/retailer confusion with temporary POS

### PHILIP MORRIS

Changed the game

- Developing strategic alliance with our Retailers
- Leadership pricing
- Re-connecting with our consumers
- Focused on core business
- Re-establishing brand equity
- Leadership position within our customer community

### THE STORE

Focused on category

- Reduced clutter
- Using Best Selling Brands to build traffic
- Better ROI
  - Inventory management
  - Reduced out of stocks
- Return to higher margins
  - Increased premium sales
- Space allocated to highest turning items
- Promotions geared to consumer/market conditions

#### Takeaway:

- 1) Competition is spending more for less, have a subordinate position in RM environment
- 2) Philip Morris is well positioned as leaders now and in the future
- 3) Retailers are focused on the category and have returned to profitability

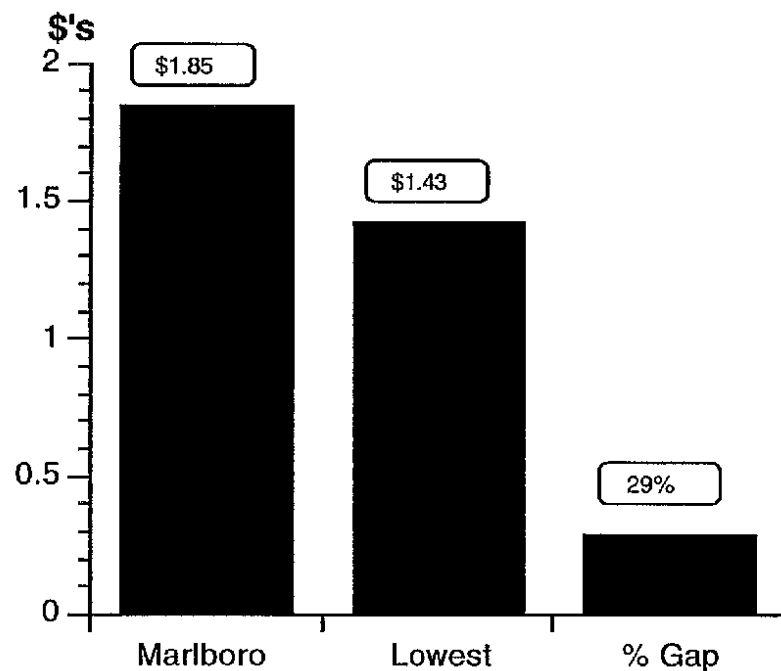
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# Retail Masters

PM USA Field Sales Force

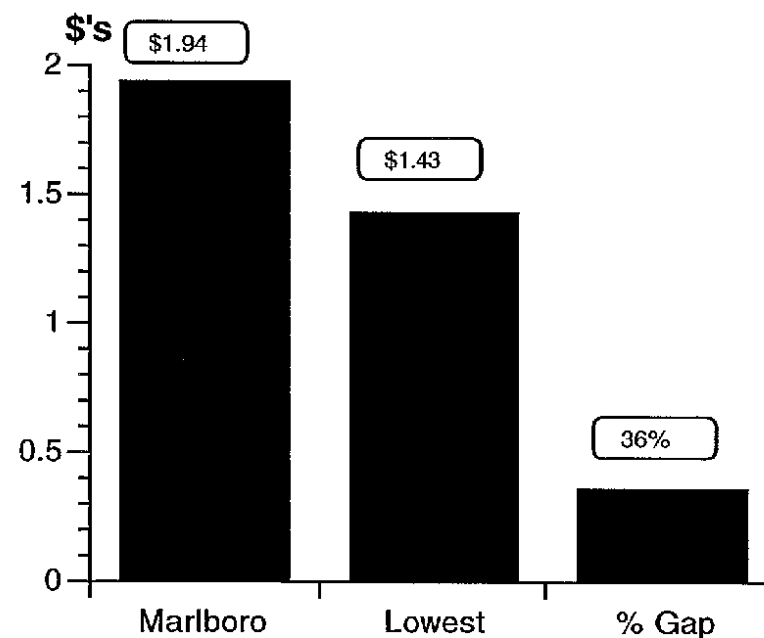
## PRICE GAP ANALYSIS

### Retail Masters Stores



## SITUATION

### Non-Retail Masters Stores



**Takeaway** Flex in combination with Marlboro Leadership pricing and promotions in Retail Masters outlets is a major factor to Marlboro share growth

**Source:** SPACE, 1st cycle 1995

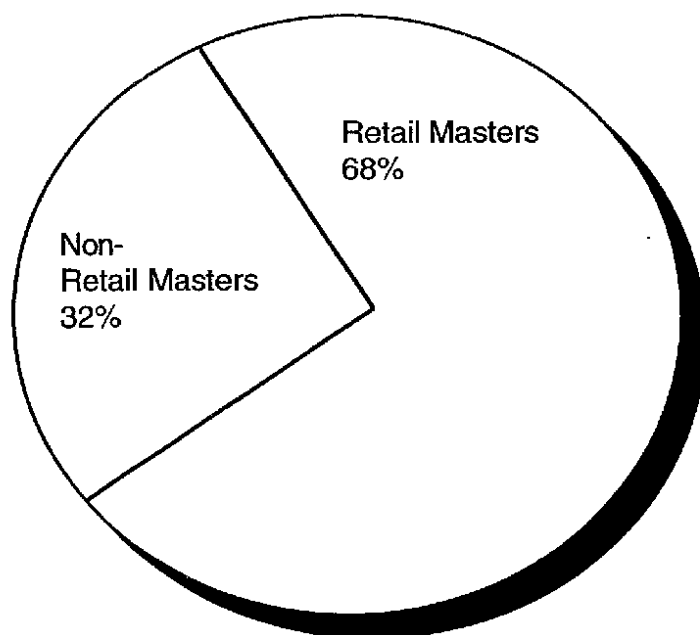
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# Retail Masters

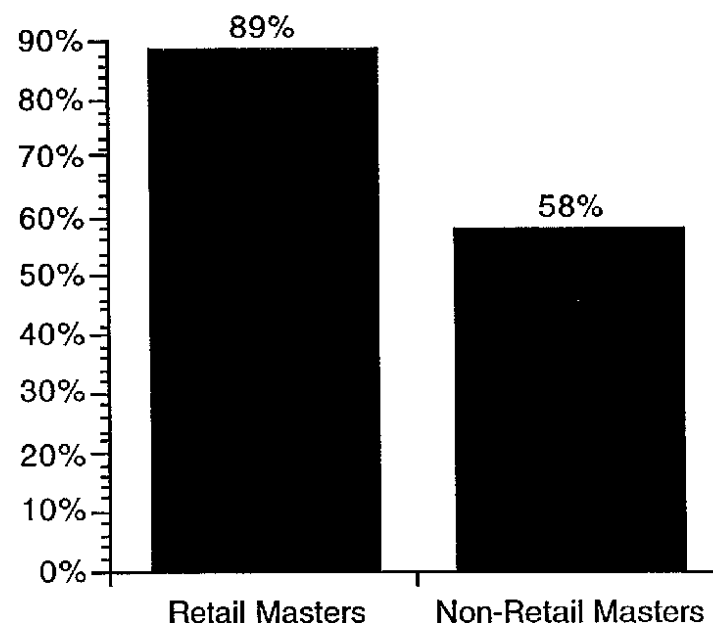
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## PM Promotion Penetration

% of stores with at least one promo, 4th quarter 1994



% penetration in non-Retail Masters vs. Retail Masters with one promo or more, 4th quarter 1994



**Takeaway:** Promotions are strategically placed in Retail Masters stores where PM is able to achieve break-through visibility and positioning

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# Sales - Tools

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## Wholesale Masters

### Program Objectives

Aligns Wholesalers with PM Brand Strategies

Pays for Performance

Overall PM share

Premium/Discount mix

PM Share of the Discount category

Obtain accurate Retail shipment data

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# Merchandising/POS Development

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## Objectives

To provide field sales force with merchandising tools and operational support

Maintain and leverage PM values in Retail Masters accounts

Support marketing goals and objectives

Brand development in the marketplace

Deliver the right piece to the right place at the right time

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# STEP-UP and Grow Program

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**Step-Up and Grow** is a management tool that Measures field performance against objectives that are mutually agreed upon within the Region.

**S** Share of Space =  $\frac{\text{Visual Share \%}}{\text{Market Share \%}}$

Why? Increasing Visibility improves reach of our product to the Consumer.  
How Achieved? Increase visual Packs and visual Cartons.

**T** Total Workload Coverage

$$\frac{\text{Average Calls per Week}}{\text{Sell Day Rate}} = \frac{\text{Calls Made}}{\text{Total Days from Time Utilization}} \times 5 \text{ Total Sell Days}$$

Why? Increase understanding of account and competitive activity. Improve opportunity to develop 1st Tier Status.  
How Achieved? Plan the Work and Work the Plan

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# STEP-UP and Grow Program

PM USA Field Sales Force

$$\text{E } \underline{\text{Effective Distribution}} = \frac{\text{Total Required Packings* in Dist.}}{\text{Total Required Packings*}}$$

\* Required Packings are defined by Wholesale Masters .25% Contribution

Why? Ensures availability of best selling brands to the Consumer.  
How Achieved? First, analyze needs of Consumer than sell to the store based on needs assesment.

$$\begin{aligned} \text{P } \underline{\text{Presence}} \quad \underline{\text{Promotion}} &= \frac{\text{Promotion Ordered}}{\text{Promotion Allocated}} \\ \underline{\text{Merchandising}} &= \frac{\text{PM Vol. in Stores w/any PM Cntrct}}{\text{Total PM Volume}} \end{aligned}$$

Why? Promotions and Presence draw and maintain Smoker interest and Loyalty.

How Acheived? Allocate Promotions and Retail Mastere \$\$ to gain maximum visibility and quality.

# Step-Up and Grow Program

## PM USA Field Sales Force

$$\underline{\mathbf{U}} \quad \underline{\text{Utilization Resources}} = \frac{\text{YTD Expenses}}{\text{YTD Budget}}$$

Why? Maximize Return on Investment.

How Achieved? Proper management of merchandising program \$, materials, and operating budgets.

### **P** Profitable Volume

Market Share Change from Base

Total Share Change =

YTD PM Share LESS Dec. 12mm PM share

PM Share of Premium Share Change =

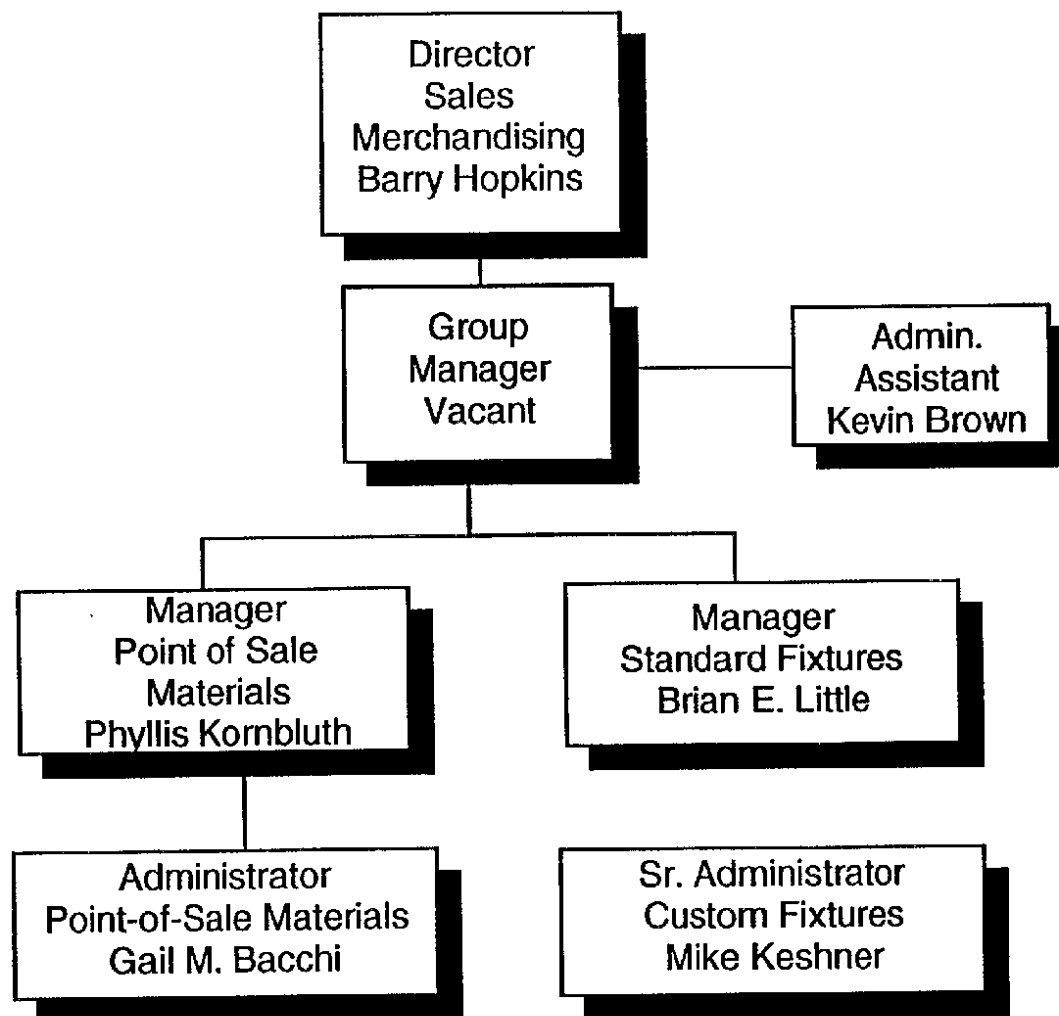
YTD PM Shr of Prem. LESS Dec. 12mm PM Shr of Prem.

Why? Maximize Volume and Revenue Growth

How Achieved? Category Management practices.

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# MERCHANDISING & POS MATERIALS



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# **MERCHANDISING & POS DEVELOPMENT**

## **MISSION**

- Be proactive and responsive with both the Sales and Marketing organizations as well as the retail community to design and provide functional, state of the art merchandising materials in a timely manner to maximize in-store presence and build profitable volume to enhance our ability to be the preferred supplier.
- To design and create functional POS materials that supply maximum visibility at retail for PM Brands.
- Provide creative input into POS and fixtures.
- Provide Sales Force with effective visual selling tools.

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## **OBJECTIVES:**

- Develop merchandising materials ideas that provide innovative marketplace functionality and flexibility that rewards customers with positive results.
- Drive a competitive advantage with POS and merchandising materials through continuous evaluation and enhancement of designs for greater retail reach by continually meeting with new suppliers and monitoring the marketplace.
- Create a customer service advantage in purchasing and distribution to respond rapidly to our customers' merchandising materials needs.

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- Develop and implement materials distribution systems to free up our organization's time.
- Work with and listen to external and internal customers to regularly monitor the effectiveness of our merchandising materials processes, designs and future trends.

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# MERCHANDISING & POS DEVELOPMENT

## FUNCTIONS & KEY ELEMENTS

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- Identification of key business needs
- Comprehensive knowledge of POS process/perspective
- Team Work
- Understanding of Retail Masters values and in-store presence.
- Diverse skill & knowledge
- Process Facilitators
- Creative idea generation
- Anticipation of business needs
- Identification of trends at retail
- Ability to overcome bureaucratic inertia
- Quantitative data interpretation

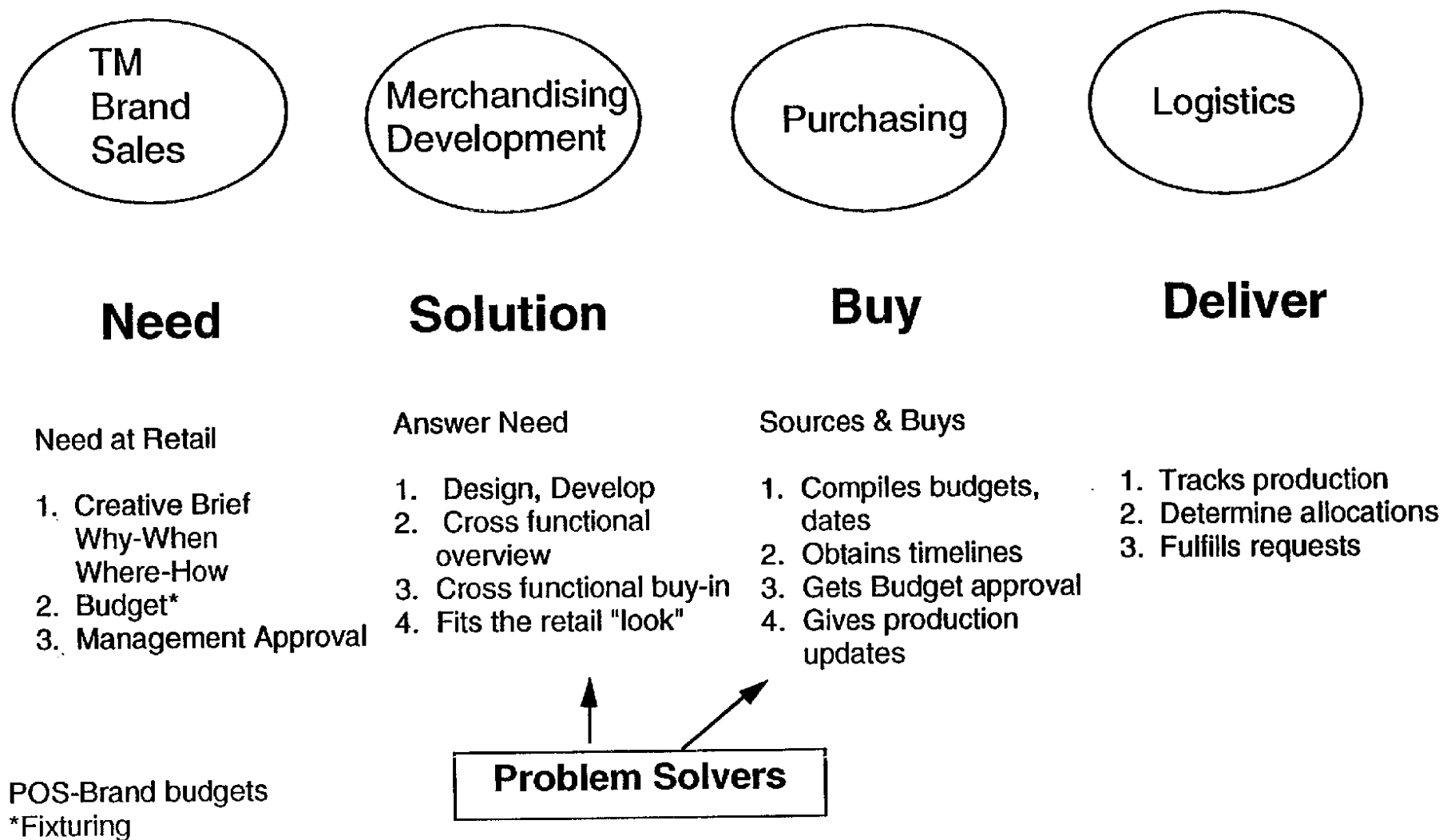
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# ROLES OF A SPONSOR

- Create/Approve A "Vision" For The Project
- Establish/Approve Project Objective and Budget
- Appoint (Select) Project Leader
- Review/Approve Final Project Plan Before Project Begins
  - Scope
  - Schedule
  - Budget
- Support The Project Leader (e.g., Remove Barriers)
- Periodically Review Progress Against Scope, Schedule and Budget
- Build Consensus Crossfunctionally
- Approve changes In Scope, Schedule and/or Budget
- Reinforce Performance Review Process

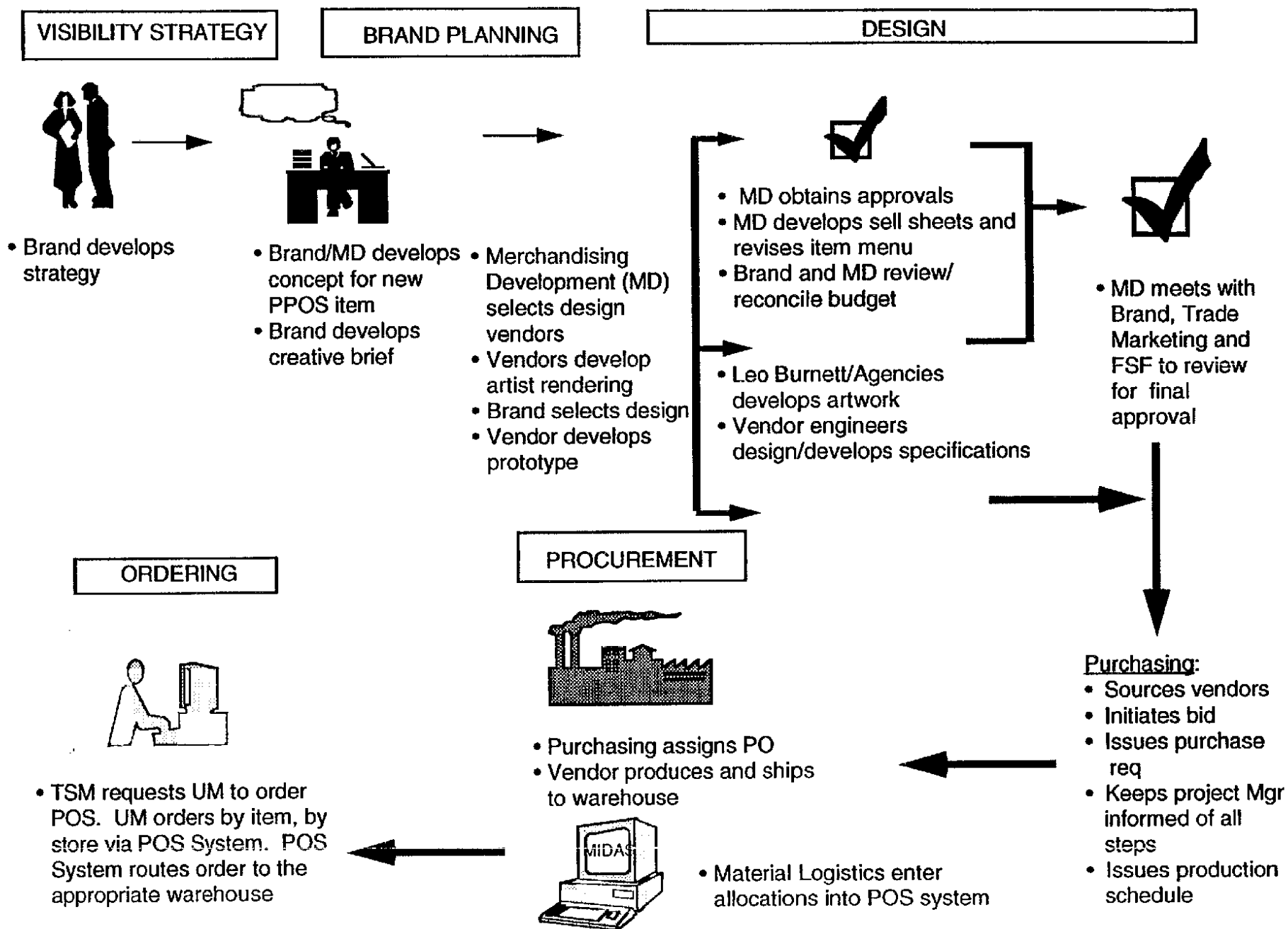
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# MAPPING OF CROSS-FUNCTIONAL INTERACTIONS



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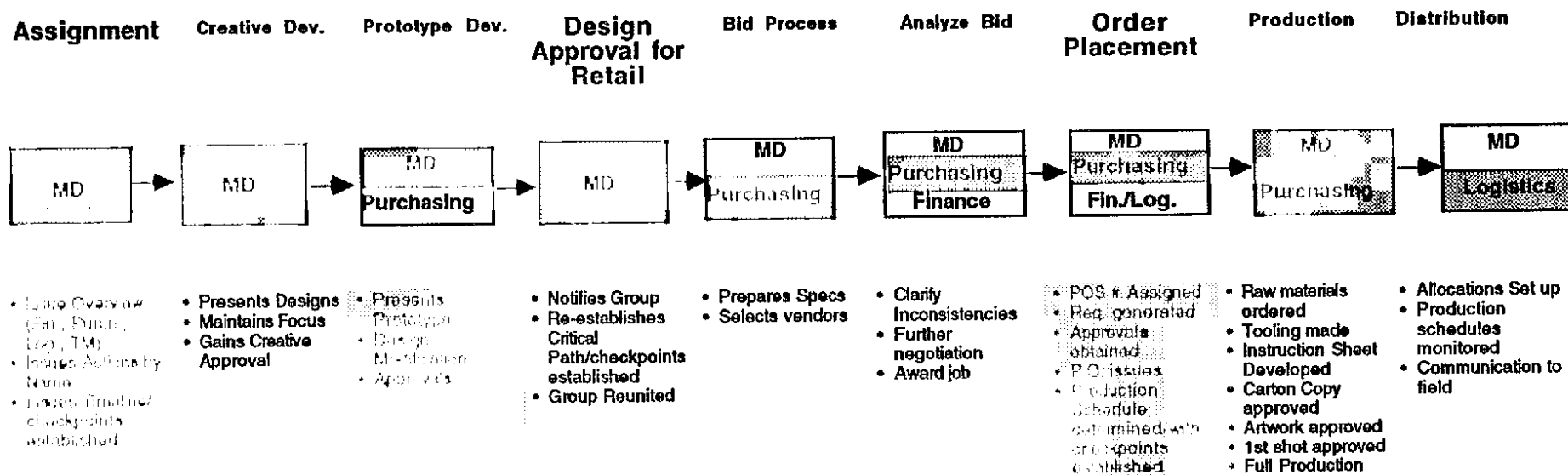
# PPOS New Item Development - CURRENT PROCESS



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# MERCHANDISING & POS DEVELOPMENT

## New Program Initiative



Primary Responsibility



MD Project Manager assigned to monitor and facilitate entire process

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